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- (1) LDP suffers setback in Lower House by-election; Some members

assume LDP cannot win general election under Fukuda

MAINICHI (Page 3) (Full)

April 28, 2008

Hideo Hiraoka, 54, of the main opposition Democratic Party of Japan (DPJ), defeated Shigetaro Yamamoto, 59, a new candidate backed by the ruling Liberal Democratic Party (LDP) in yesterday's a Lower House by-election in the Yamaguchi No. 2 district. The DPJ candidate's victory means that the public will has voted "no" to Prime Minister Yasuo Fukuda's management of the government. A sense of alarm has seized the government and ruling parties. The DPJ, in turn, now feels it is riding high, believing that a change in political administrations has now moved closer to reality. However, with the LDP having been driven to the brink, there is now even the possibility of removing the barrier to moves to find a successor to Fukuda as president of the LDP.

Fukuda, who had just returned home from Moscow last night, told LDP Secretary General Bunmei Ibuki: "The election will not come off,

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will it?"

In LDP headquarters at 9:00 p.m. on April 27, Ibuki said:

"I thought we had caught up with (the opposition). It was a mistake that sufficient explanations on the new health care system were never provided. I think we failed to keep our guard up."

The government and ruling coalition will take an overriding vote on April 30 on a bill amending the Special Taxation Measures Law, which would lead to reinstating the provisional gasoline tax rates. Now that the ruling coalition's scenario of gaining popular will by winning the by-election has ended in failure, there is a view in the

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ruling camp that ramming the bill through the Diet would provoke a public backlash against them.

The Lower House will take an overriding vote on May 12 also on a bill amending the Road Construction revenues Special Exemption Law, which is aimed to extend for 10 years the tax revenues earmarked for road construction. However, some junior and mid-level LDP lawmakers have asserted that resorting an overriding vote goes against the policy of shifting revenues earmarked for road construction and maintenance to the general account starting fiscal 2009. In the wake of the defeat in Sunday's by-election, chances are that this view will gain ground in the LDP. Some LDP members are raising a view calling for scrapping the new health care system for the elderly, which was the main reason for the LDP's loss in the by-election.

Fukuda's management of his administration will face a rough passage. A senior LDP Upper House member said:

"Even if the DPJ presents a censure motion against Prime Minister Fukuda, the prime minister will neither shuffle his cabinet nor dissolve the Lower House. After the Diet session is over, the political mood will completely change."

A person, who has close ties with Fukuda, said: "The Group of Eight summit in Hokkaido in July will become an opportunity (for Fukuda) to boost the popularity of the government." 'There were no concrete grounds for the remarks by the two.

Fukuda had not been regarded as strong character to use in elections. However, a mid-level lawmaker commented following the defeat of the LDP candidate in the by-election: "We have now learned that we will not be able to win the next Lower House election." One faction head, mentioning the name of Taro Aso, said: "I think he is a safe choice for a candidate to replace Prime Minister Fukuda with the next Lower House election in mind."

At 7:00 p.m. yesterday when it became likely that the LDP would be defeated, two cars arrived at the prime minister's official residence. Those in the cars were former Prime Minister Yoshiro Mori

and former LDP Upper House Chairman Mikio Aoki. The two stayed at the residence for about two hours and a half. The visits by Mori and Aoki to the prime minister's official residence suggested how seriously the Fukuda government had been shaken by the defeat of its candidate in the by-election.

(2) Chief Cabinet Secretary Machimura: No change in plan to take overriding vote on bill amending Special Taxation Measures Law

MAINICHI (Page 1) (Full)  
April 28, 2008

The candidate backed by the ruling Liberal Democratic Party (LDP) and its coalition partner New Komeito was defeated in Yesterday's Lower House by-election for the Yamaguchi No. 2 constituency. This makes clear how the power of the government of Prime Minister Yasuo Fukuda has waned. The defeat will likely deal a big blow to the government and ruling coalition, which will take an overriding vote on a bill amending the Special Taxation Measures Law. Since the major opposition Democratic Party of Japan (DPJ) will strengthen the offensive against the government and ruling camp over the new health care system for the elderly and the provisional tax rates, the political situation will become fluid.

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The government and ruling coalition considered the Lower House by-election a battle to regain confidence in an overriding vote by winning it, as well as a good opportunity to dampen the DPJ's strength.

For this reason, Upper and Lower House members of the ruling parties conducted a thorough organizational battle by getting support from the heads of municipalities in the constituency and organizations. But they failed to overcome the sharp reaction of voters against the controversial new medical care system for the elderly.

Chief Cabinet Secretary Nobutaka Machimura said last night: "The nature of the by-election for the Yamaguchi No. 2 seat should not be considered as the judgment by the whole public. There is no change in the policy of taking an overriding vote on April 30." However, a senior LDP member is concerned about the government's hard-line Diet management, saying: "The gasoline prices that once dropped will be hiked. A severe view of the government cannot be avoided."

The DPJ intends to wait for the right timing for submitting a censure motion against the prime minister, thinking that the will of people was shown in the by-election. Chances are that the DPJ will continue to hold the initiative in the Diet until the current ordinary Diet session ends on June 15. So, Fukuda will find it increasingly difficult to steer his administration.

(3) G-8 Sherpas meet with NGOs to discuss preventive measures against climate change

ASAHI (Page 6) (Full)  
April 25, 2008

Visiting Sherpas from the Group of Eight (G-8) countries for preliminary talks in preparation for the G-8 Hokkaido Toyako Summit in July had a meeting on April 24 with nongovernmental organizations (NGOs) in Kyoto City. Representatives from NGOs voiced their discontent in succession. One representative charged, "The G-8 countries have pledged to do this or that, but they have failed to implement their promises." The Sherpas from the G-8 countries, desiring to show their accountability, were pressed to give accounts of their countries' approaches.

The meeting was hosted by the 2008 Japan G8 Summit NGO Forum, an organization composed of environment or development-oriented NGOs. Sherpas from Japan and the European Union (EU), excluding France, joined the meeting and held discussions with NGO representatives from Asia and Africa.

A representative from a U.S. NGO voiced a pessimistic view about the future of climate change, a major focus of debate in the upcoming

G-8 summit, and noted: "We have been disappointed by the G-8 countries. There will certainly be a further setback (at the G-8 Hokkaido Toyako Summit, as well)." An NGO representative from Bangladesh urged the G-8 countries to take action, claiming: "Using people's food for biofuel is immoral. I wonder how seriously the G-8 countries think this urgent issue is."

A Japanese NGO representative ripped into the G-8 countries for their lack of measures in the area of health services and claimed: "It is necessary to establish a system to monitor progress on the past and future promises the G-8 made and will make and then report

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on the results of the progress every year."

In response to critical views voiced by NGO representatives, Germany's Vice Minister for Economics and Technology Pfaffenbach said: "We will not move backward. We will take further steps that go beyond the steps taken last year." U.S. Assistant to the President Price said: "Action is more important than words. We will make clear what has happened to past promises." Meanwhile, some cited the limits of the G-8 summit, with one senior representative, the Sherpa of the European Union Vale de Almeida, saying, "It is meaningless if large emerging countries are left outside the framework." Japan's Deputy Foreign Minister Masaharu Kohno noted: "Conflicting views exist among the G-8 countries, but the G-8 share the same goal. As the host of the upcoming G-8 summit, Japan will make efforts to lead discussions toward a satisfactory conclusion."

(4) New Japan-U.S. agreement on HNS approved after one month delay by Diet

SANKEI (Page 5) (Full)  
April 26, 2008

A Japan-U.S. special measures agreement that extends for another three years Japan's host nation support (HNS or "sympathy budget") to cover the costs of stationing U.S. forces in Japan, was approved in the Lower House in accordance with Article 61 of the Constitution (stipulating the Lower House's supremacy over the Upper House regarding treaties), after having been rejected by the Upper House plenary session on April 25 by a majority of votes from the opposition parties Democratic Party of Japan (DPJ), the Japanese Communist Party, and the Social Democratic Party,. The government will give approval to the agreement at a cabinet meeting on April 30 and it will go into effect in early May. This agreement is a kind of a treaty. It was the first time under the current Constitution that the Upper House had rejected the agreement.

The HNS is a system for Japan to pay the utility charges, labor costs, and the expenses for the transfer of U.S. fighters for night landing practice. With the expiration of the old treaty at the end of March, a portion of the payments for the HNS had been suspended. Under the new treaty, the government will earmark the same budget amount as under the old treaty in fiscal 2008, but reduce the utility outlays by a total of 400 million yen in both fiscal 2009 and 2010.

Inappropriate outlays pursued in succession

Hiroyuki Kano

The new HNS special measures agreement failed to be approved in the Diet by the end of the fiscal 2008 because it was rejected by the Upper House. This fact has cast a shadow on the Japan-U.S. alliance. But more meaningful was that in the Diet debates, opposition parties shed light on inappropriate outlays earmarked as labor costs, for instance, those for workers working at entertainment facilities. For the Japanese government, which is in severe fiscal straits, it is a very heavy burden indeed to pay the HNS budget. Debate over the transparency of the support funds is likely to gain even more momentum in the months ahead.

"The HNS has expanded too much. I think we need to debate it from scratch."

This critical remark of the HNS budget came out from Shinkun Haku, a House of Councilors member of the DPJ, in his arguments against the HNS budget during the Upper House plenary session on April 25. Even the ruling Liberal Democratic Party's (LDP) Katsuhito Asano, a House of Councilors member who is supportive of the HNS budget, was critical in his remarks to the government, stating: "It is unacceptable to allow fiscal spending in an unregulated manner. Japan's burden has been reduced this time, but this amount is not at all satisfactory."

Prior to signing the new agreement, the Japanese government urged the U.S. in bilateral talks to drastically cut utility and labor costs. Defense Minister Shigeru Ishiba also questioned the high salary levels for Japanese workers at U.S. bases. He pointed out the need to review the HNS from scratch.

In relation to the Japan-U.S. security arrangements, Japan is expected to bear a huge burden in the future because of the construction of a missile defense system and the expenses for the transfer of Marines from Okinawa to Guam. In order to improve defense capabilities in a steady manner, while obtaining the taxpayers' understanding, the government believes it is "necessary for the U.S. side to make tangible efforts," a senior official noted.

Meanwhile, the U.S. government has borne a huge spending burden stemming from the wars in Iraq and Afghanistan. Washington pressed Tokyo to further increase its financial burden and pay its fair share of the costs on the grounds of the currently unstable Northeast Asian situation, owing to China's military expansion. The amount the U.S. side reduced in this regard was a mere 800 million yen.

During the debates on the new agreement, the opposition bloc focused on inappropriate outlays. Shu Watanabe, a House of Representatives member of the DPJ, posed a question as to why the HNS includes the salaries for managers of bowling alleys and bartenders. He criticized the government: "Why does Japan need to pay the costs for U.S. service members' entertainment on their holidays?"

Debates on the HNS budget in the Diet had gone smoothly in the past, but problems about the HNS have surfaced this time. This may be a product of the divided Diet.

But the fact that the agreement signed by both the Japanese and U.S. governments was approved by the Diet after a one-month delay has caused the U.S. government to heighten its distrust of the Japanese government for its inability to promptly implement policy. On top of that, this was the first time under the current Constitution that a treaty was rejected by the Upper House. Masahisa Sato, an SDF officer-turned House of Councilors member of the LDP, expressed a strong sense of crisis about the future of the Japan-U.S. alliance when he said: "This may have sent the wrong message not only to the United States but also to neighboring countries."

#### (5) Ishiba eyes strengthening civilian control over SDF

TOKYO SHIMBUN (Page 1) (Full)  
April 26, 2008

The Defense Ministry yesterday revealed Defense Minister Shigeru

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Ishiba's plan to reform its organization involving the Self-Defense Forces. The Ground, Maritime, and Air Self-Defense Forces' respective staff offices and their chiefs of staff will be off the SDF's chain of command, according to Ishiba. Instead, the defense minister will directly command SDF troops. Ishiba plans to integrate the Defense Ministry's civilian officials and the SDF's uniformed staff officers to have them better assist the defense minister and simplify the SDF's chain of command. The plan is aimed at strengthening civilian control. The Defense Ministry will report the

plan to a government panel in its meeting to be held in May.

The Defense Ministry's internal bureaus and the SDF's sections in its staff offices for logistics, operations, budget accounts, and other functions will be integrated and reorganized into new sections for defense buildup plans, operations, and Diet affairs and public relations. The SDF Joint Staff Office will be in charge of SDF operations in general, and the SDF Joint Staff Office chief, who stands above all SDF personnel, will be responsible for the SDF's operational functions.

The Defense Ministry's internal bureau directors general currently serve as defense counselors to advise the defense minister. The GSDF, MSDF, and ASDF chiefs of staff will be appointed as defense counselors as a step to revamp the defense ministry's advisory functions for its minister.

The GSDF, MSDF, and ASDF staff offices will only have units for personnel management, education, training, and some other functions.

Surplus personnel will be assigned to SDF units in order to stop each SDF branch's manning level from declining.

#### (6) SDF operations to be integrated into operations bureau

NIKKEI (Page 2) (Full)  
April 28, 2008

The Defense Ministry yesterday revealed an outline of Defense Minister Shigeru Ishiba's initiative to reorganize the Defense Ministry involving the Self-Defense Forces. The Defense Ministry's internal bureaus and the SDF's uniformed staff offices currently have their respective functions of planning SDF operations. Ishiba plans to integrate their respective functions into an operations bureau to be newly established in the Defense Ministry with the SDF Joint Staff Office involved. The newly envisaged operations bureau is to be headed by an administrative official of the Defense Ministry. The GSDF, MSDF, and ASDF chiefs of staff will be separated off from the SDF's chain of command and will serve as advisors to the defense minister. The three SDF branches' respective staff offices will be substantially downscaled.

The Ishiba plan is aimed at creating a new advisory system that will better assist the defense minister and that will improve the efficiency of the SDF's chain of command. The Defense Ministry is expected to present the plan to a government panel in its next meeting to be held in May at the prime minister's office. In the Defense Ministry, however, there are also strong objections to the Ishiba plan concerning how to position each of the GSDF, MSDF, and ASDF staff offices. The Defense Ministry may therefore come up with several plans without specifying details.

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The Defense Ministry and the SDF staff offices currently have their respective sections for budget accounts, logistics, and some other functions. The Ishiba plan is to integrate them into the Defense Ministry's internal bureaus and will be reorganized into sections for defense buildup plans, operations, and Diet affairs and public relations. The GSDF, MSDF, and ASDF staff offices' functions will be limited to personnel management, education and training management, and some other functions. Their surplus personnel in the reorganization process will be assigned to SDF units for their revamped manpower.

The SDF Joint Staff Office chief will head the operations bureau. The GSDF, MSDF, and ASDF chiefs of staff will serve as aides to the defense minister.

#### (7) Aeon Co. to resume sale of U.S. beef

MAINICHI (Page 8) (Full)  
April 26, 2008

Aeon Co. announced yesterday that it would resume the sale of U.S.

beef starting on April 30. The Japanese major supermarket chain operator will handle U.S. beef for the first time in about four years and four months since Japan banned imports of U.S. beef in reaction to the first case of BSE reported in the U.S. in December 2003.

Of the major supermarket chains, only Aeon has refrained from selling U.S. beef, but it has decided to resume the sale of U.S. beef now that it has completed its company system to ensure the safety of U.S. beef, including checking all products.

Aeon made the decision at a time when other supermarket chains have decided to remove U.S. beef from their shelves following a recent case of specified risk material (SRM) found in a beef shipment from the U.S. On the decision, Yasuhide Chikazawa, an Aeon manager, said: "We received confirmation that even if SRMs are mixed in boxes bound for Japan, such materials will be removed in our final check." He also cited the yen's recent appreciation against the dollar as another reason for its decision.

Aeon itself will examine beef products from the U.S. to check if the import conditions are met and then will receive a third party's health safety certificate. Aeon has decided to inspect all beef products twice - after products clear the customs and when products are processed - as measures to ensure their safety.

On April 30, Aeon will resume the sale of U.S. beef at Jusco Shinagawa Seaside Outlet. On May 10-11, a total 20 tons of U.S. beef will be placed on shelves at about 47 Jusco outlets across the nation. Aeon will sell U.S. beef one weekend every month.

(8) Survey shows 80 PERCENT of local governments to continue blanket testing even after government ends subsidies

TOKYO SHIMBUN (Page 3) (Full)  
April 26, 2008

Of 76 local governments that have conducted BSE inspections on domestic cows, 64 governments or 80 PERCENT of the total have decided to continue their blanket testing, including testing of even cattle 20 months of age or younger, at their own expenses for the

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time being after the government ends its subsidies in August, according to survey results revealed yesterday by Kyodo News Agency.

Following a specified risk material found recently in a beef shipment imported from the United States, attention is being focused on the safety of beef again. Under such circumstances, consumers are expected to place greater confidence in domestic beef in terms of safety. Meanwhile, some officials are voicing concern about the additional burden to be imposed on local government finances for the testing of cattle aged 20 months or younger. An official of the Inspection and Safety Division of the Health, Labor and Welfare Ministry says that testing calves is meaningless from a scientific perspective."

Those local governments willing to continue blanket testing have earmarked testing costs in their FY2008 initial budgets. The total amount is different according to the number of cows inspected, ranging from approximately 35 million yen in the case of Hokkaido to several tens of thousands of yen. The central government has subsidized the full amount of inspection costs, but this system will be completely abolished in August.

Asked about why he had decided to continue blanket testing, Niigata Governor Hirohiko Izumida said: "There are still deep-seated concerns about BSE among consumers." But many gave this reply: "It is undesirable for us alone to stop blanket testing." In response to a question asking how long the testing will continue, most said they have not decided yet what to do after fiscal 2009. A Kagawa prefectural government official said: "If we are unable to stop blanket testing, we will face a fiscal problem."

Most of the remaining 12 municipal governments replied that they

remained undecided and were in the process of discussing what to do. They generally are inclined to continue blanket testing for the time being. A Tokyo government official said: "Since there are not many cattle around aged 20 months or younger, we will be able to carry out testing within our budget." A Kumamoto government official remarked: "We have not earmarked the necessary amount since it is a provisional budget, but discussion is underway on the possibility of continuing testing."

SCHIEFFER